

Good morning Mr. Chairman and members of the Committee. My name is Patricia Parr-Armelagos, I work for State Farm Insurance with responsibility for their Special Investigation Operation, in Michigan for over 23 years. I am here in support for House Bill 5701.

There is a compelling need for an Insurance Fraud Authority in Michigan. Michigan is the only No-Fault state that does not have an Auto Insurance Fraud Authority. However, given the scope and impact of auto insurance fraud in Michigan, it may be the state that needs one the most. Michigan requires auto insurers to provide the most generous No-Fault benefits in the country, unlimited benefits of unlimited duration. This system, therefore, presents a truly unique opportunity for those who want to profit through insurance fraud. We have created a No-Fault system that is ripe for abuse, and the profiteers have come.

The scope and impact of the insurance fraud problem in Michigan is nothing short of dramatic. Even if only 10% of claims are fraudulent, the costs would exceed hundreds of millions of dollars.

The costs to the public go well beyond higher premiums. Within a few hours to a few days of their accidents, unwitting citizens are

being aggressively solicited through billboards, television and radio advertisements that provide "1/800" numbers, "runners" who show up unannounced at peoples' homes, and letters from random lawyers, to sign up for representation and to begin treating with clinics. In many cases, these citizens become pawns who are used by the lawyers and clinics to milk the system for as many insurance benefits as possible.

Unfortunately, this often can lead to people being diagnosed with injuries and treated for injuries that they do not really have; the consequence, of course, is that in their rush to diagnose and treat people for injuries that they do not have, there is no serious consideration given or an attempt to diagnose and treat people appropriately for injuries that they may actually have sustained in an accident.

Other costs include the burdens imposed on the claims resources of insurers who are forced to deal with fraudulent claims and the courts who are forced to deal with litigation that often results from the fraudulent claims.

The benefits of an Auto Insurance Fraud Authority would be substantial.

First, it would provide a process by which new funds could be provided to law enforcement agencies for the specific purpose of investigating and prosecuting auto insurance fraud. While insurers are dedicating substantial resources to combating auto insurance fraud, insurers have no ability to criminally prosecute the perpetrators. Criminal investigation and prosecution is an important compliment to the efforts of insurers, it is necessary to appropriately punish those engaged in these activities, and is a very important deterrent.

Second, law enforcement is doing what it can to investigate and prosecute auto insurance fraud. However, their budgets and resources are stretched thin and forced to address many priorities other than auto insurance fraud. The establishment of an Authority in Michigan would provide law enforcement agencies with funds that could specifically support investigations and prosecutions of auto insurance fraud.

Third, all of this could be done at no costs to the State because the Authority would be funded through the insurance industry.

At this time I would like to play a 5-minute video clip of one of our

policyholders that became subject to one of the solicitation groups. This policyholder was diagnosed with possible closed-head injury even though she reports never to hit her head in the accident.

After cancelling future appointments, she was contacted by the doctor who indicated he wanted to continue to treat her for serious injuries and offered her prescription pain medication without request.

Play tape

Thank you for the opportunity to testify today. I would be happy to answer any questions.